

Message Text

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PAGE 01 ANKARA 09714 230938Z
ACTION EUR-12

INFO OCT-01 NEA-10 ISO-00 CIAE-00 DODE-00 PM-04 H-02
INR-07 L-03 NSAE-00 NSC-05 PA-02 PRS-01 SP-02 SS-15
USIA-15 AID-05 COME-00 EB-07 FRB-01 TRSE-00 XMB-04
OPIC-06 CIEP-02 LAB-04 SIL-01 OMB-01 STR-04 CEA-01
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R 230822Z DEC 76
FM AMEMBASSY ANKARA
TO SECSTATE WASHDC 5896
INFO AMEMBASSY ATHENS
AMEMBASSY NICOSIA
AMEMBASSY MOSCOW
AMEMBASSY TEHRAN
AMCONSUL ADANA
AMCONSUL ISTANBUL
AMCONSUL IZMIR

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E.O.11652: N/A
TAGS: EGEN, PFOR, TU
SUBJECT: DEMIREL PRESS CONFERENCE: ECONOMIC ASPECTS

1. PRIME MINISTER DEMIREL ON DECEMBER 19 HELD HIS SEVENTH
MAJOR PRESS CONFERENCE SINCE TAKING OFFICE 21 MONTHS AGO. AS
PREVIOUSLY HE PRESENTED A COMPREHENSIVE REVIEW OF FOREIGN AND
DOMESTIC MATTERS. THE FOLLOWING HIGHLIGHTS ARE NOTED FOR THEIR
ECONOMIC SIGNIFICANCE:

2. INTERNATIONAL

A. DEMIREL STRESSED TURKISH HOPES TO EXPAND ECONOMIC
TIES WITH ISLAMIC COUNTRIES, PROBABLY IN THE HOPE OF
STRENGTHENING APPEAL OF HIS JUSTICE PARTY TO FOLLOWERS OF
DEPUTY PRIME MINISTER ERBAKAN'S ISLAMIC DIRECTED NATIONAL SALVATION
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PAGE 02 ANKARA 09714 230938Z

PARTY (ANKARA 9637). TURKEY HOPES TO EXPAND ITS EXPORT
OF GOODS AND WORKERS TO ISLAMIC COUNTRIES. IT HAS SIGNED
ECONOMIC AND TECHNICAL COOPERATION AGREEMENTS WITH A NUMBER
OF THESE, INCLUDING IRAN, SAUDI ARABIA, IRAQ, PAKISTAN AND
AFGHANISTAN. AS RESULT TURKISH-IRAQ PIPELINE IS NOW BEING
BUILT AND CONSTRUCTION PROJECTS IN LIBYA ARE EMPLOYING LARGE

NUMBER OF TURKS. AGREEMENT HAS BEEN REACHED TO FOUND TURKISH-ARAB BANK WITH LIBYAN AND KUWAITI PARTICIPATION. TALKS ARE CONTINUING WITH "FRIENDLY AND FRATERNAL IRAN ON FORMULA TO RECONCILE OUR RECIPROCAL INTERESTS." TURKEY REMAINS OPTIMISTIC AND PRIMIN SAID THAT THE JOINT PROJECTS SIGNED WITH IRAN IN OCTOBER 1975 WILL GO FORWARD. IRAN HAS ALREADY GRANTED A CREDIT OF \$12 MILLION FOR TWO NEW FERRYBOATS ON LAKE VAN.

B. DEMIREL CITED DEVELOPMENTS IN TURKISH ECONOMIC RELATIONS WITH EASTERN AND WESTERN EUROPE. NEW PROTOCOL INITIALED WITH USSR DECEMBER 12 FORESEES CONTINUATION AND EXPANSION OF ECONOMIC, COMMERCIAL AND TECHNICAL COOPERATION OVER NEXT TEN YEARS AND PROVIDES BASIS FOR FUTURE PROJECT ASSISTANCE, HE SAID. UNDER AGREEMENT WITH ROMANIA, CONSTRUCTION HAS BEGUN ON ANATOLIAN REFINERY NEAR ANKARA. WITH EC TURKEY HAS CONTINUING PROBLEMS, BUT NEW ATTEMPT TO CLARIFY SITUATION AT DECEMBER 20 ASSOCIATION MEETING IN BRUSSELS GAVE CAUSE FOR OPTIMISM.

C. DEMIREL ADDED THAT ROAD TRANSPORT TRANSITING TURKEY IS CARRYING GREATLY EXPANDED VOLUME BETWEEN MIDDLE EAST AND EUROPE. EXPENSES FOR REPAIRS AND MAINTENANCE OF ROAD PLACE HEAVY BURDEN ON TURKEY. HE CLAIMED THAT 1976 DECREE ON ROAD TRANSIT (PLACING TARIFFS ON VOLUME) HAS WORKED SMOOTHLY AND ALLEVIATED PRESSURE ON TURKISH BUDGET.

3. DOMESTIC ECONOMY

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PAGE 03 ANKARA 09714 230938Z

A. ADMITTING THAT GOVERNMENT HAD NOT BEEN AS SUCCESSFUL IN FIGHTING INFLATION IN 1976 AS IT HAD BEEN IN 1975 AND ACKNOWLEDGING THAT EXPORT PERFORMANCE WAS INADEQUATE, PRIMIN POINTED TO GOOD GNP GROWTH RATE OF 7.2 PERCENT IN 1976.

B. HE PROVIDED FOLLOWING NOTEWORTHY STATISTICS:

--IMPORTS REACHED \$4600 MILLION BY END OF NOVEMBER 1976 AND WOULD OBTAIN PLAN OBJECTIVE OF \$5000 MILLION BY YEAR'S END.

-- IN FIRST ELEVEN MONTHS OF 1976 EXPORTS TOTALED A LITTLE MORE THAN \$1750 COMPARED WITH \$1400 MILLION FOR ALL OF 1975. PLAN OBJECTIVE FOR 1976 WAS \$2100 MILLION BUT EXPORTS ARE EXPECTED TO REMAIN JUST UNDER \$2000 MILLION. DESPITE NEARLY 40 PERCENT INCREASE OVER 1975, THE PRIMIN DID NOT REGARD THE 1976 EXPORT FIGURES AS AN ACHIEVEMENT.

-- WORKERS REMITTANCES FROM ABROAD REACHED ONLY \$805 MILLION BY THE END OF OCTOBER 1976 AS

COMPARED WITH \$1312 MILLION FOR THE YEAR 1975.

C. HE NOTED IMPROVEMENT IN AGRICULTURAL PRODUCTION IN 1976, ESPECIALLY IN COTTON, CEREALS, TOBACCO, OLIVE OIL, RICE AND PULSES.

D. PRODUCTION IN INDUSTRY, MINING AND FORESTRY ALSO ROSE, PARTICULARLY WITH RESPECT TO ELECTRICITY, CEMENT, FERTILIZER, MOLTEN STEEL, PIG IRON, LIGNITE, TIMBER AND TRUCKS.

E. SALARIES OF CIVIL SERVANTS WILL BE INCREASED BY 30 PERCENT (NOT 10 PERCENT AS PROPOSED IN THE BUDGET BILL) AS FROM MARCH 1, 1977.

4. COMMENT: DEMIREL'S REMARKS ON THE DOMESTIC ECONOMY DID NOT DOWNPLAY ITS PROBLEMS. INFLATION, UNEMPLOYMENT AND EXTERNAL DEFICITS WERE ALL MENTIONED AS SERIOUS UNCLASSIFIED

UNCLASSIFIED

PAGE 04 ANKARA 09714 230938Z

CONSTRAINTS ON ECONOMIC DEVELOPMENT. NEVERTHELESS, PRIMIN DID NOT MISS OPPORTUNITY TO LIST IN GREAT STATISTICAL DETAIL GROWING PRODUCTION OF STEEL, CEMENT, ELECTRICITY, COAL, WOOD PRODUCTS, TRANSPORT, AND CONSUMER GOODS. ANTICIPATING INCREASING CRITICISM BY THE OPPOSITION OF HIS HANDLING OF THE ECONOMY, DEMIREL DEMONSTRATED THAT ACHIEVEMENT IN GNP GROWTH RATE IS AN IMPORTANT POLITICALLY AS ECONOMICALLY IN THE PRE-ELECTION PERIOD.

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